

**Financial Statements**

**Tuscola County Community  
Mental Health Authority**

**Caro, Michigan**

**September 30, 2006**



## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Tuscola County CMH Authority	County Tuscola
Fiscal Year End September 30, 2006	Opinion Date December 19, 2006	Date Audit Report Submitted to State March 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

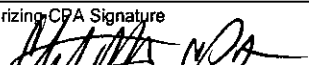
YES  
NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Roslund, Prestage & Co., P.C.		Telephone Number (989) 463-6123		
Street Address 308 Gratiot Avenue		City Alma	State MI	Zip 48801
Authorizing CPA Signature 		Printed Name Chad Payton		License Number 21946

Tuscola County Community Mental Health Authority  
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September 30, 2006

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## **INDEPENDENT AUDITOR'S REPORT**

Tuscola County Community Mental Health Authority  
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tuscola County Community Mental Health Authority (the Authority), as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Authority as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2006 on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Roslund, Prestage & Co, P.C.*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

December 19, 2006

## **MANAGEMENT'S DISCUSSION and ANALYSIS**

# **Tuscola County Community Mental Health Authority**

## **Management's Discussion and Analysis**

*For the year ended September 30, 2006*

This section of the Tuscola County Community Mental Health Authority (TCCMHA) annual financial report presents management's discussion and analysis of financial performance for the year ended September 30, 2006. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities, and to identify significant changes in financial position and results of operations. Please read this section in conjunction with the auditor's report, financial statements, notes to financial statements and supplemental information taken as a whole.

### **FINANCIAL HIGHLIGHTS**

- The current financial position, which is the excess of current assets over current liabilities, of TCCMHA was a positive \$326 thousand.
- Unrestricted net assets increased by \$84 thousand from FY05.

### **OPERATING HIGHLIGHTS**

TCCMHA continued its commitment to the consumers of Tuscola County.

- During the year there were several long time key employees of TCCMHA that retired. Robert E. Chadwick, II retired from his position as CEO after almost 15 years in this position. The TCCMHA Board of Directors selected Sharon Beals to fill the role of CEO. This transition occurred on April 1, 2006. The selection of Ms. Beals for this position occurred during 2005 and training and the transition process started immediately.
- Susan Clara, Chief Compliance Officer retired in July 2006 after almost 25 years of service to TCCMHA. Responsibilities of Susan's positions were reorganized and the position of Quality Assurance/Compliance Supervisor was created and filled.
- The Recipient Rights Officer, Cindy Tewksbury retired in March 2006 after twenty three years of service to TCCMHA. Cindy's successor, Kathy Hepfer had been working with Cindy on a part time basis for two years in preparation for this transition.
- During 2006, TCCMHA began a review of their building needs and anticipated future needs. Two of the three current leases for office/program space expire in 2007 and TCCMHA is doing a lease/buy analysis for the Lincoln Street administration building and the Personal Independence Center building. Plans are being developed to consolidate services into the Personal Independence

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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Center location and costs are being reviewed to ensure that resources are being utilized as efficiently as possible. This will be an ongoing item into FY 07.

- TCCMHA staff participated in Operation Chicken Little. This was a full scale drill of TCCMHA serving as a dispensing site in the event of outbreak of the bird flu. TCCMHA is an active participant in the Tuscola County Emergency Preparedness Team and had been asked to develop a plan for the immunization of all TCCMHA staff, their families, consumers and their caregivers to assist the Tuscola County Health Department in the event of an outbreak of the bird flu.
- During 2006 the Community Inclusion program continued to grow. Traditional facility based skill building services have moved to the community where consumers "volunteer" their services to local agencies, organizations and churches. Consumers are able to receive their skill building within the community and agencies, organizations and churches are able to utilize the resources provided by the individuals. This has proven to be a win-win situation for all involved.
- Cass Valley Enterprises (CVE) continues the recovery process from the effects of the discontinuance of production of combat identification panels. While FY06 was a challenging year, progress has been made in other program areas. CVE emerged from its ISO review with outstanding scores and no citations. In addition, CVE successfully negotiated price increases for its dustpans, fire rakes, side racks and seats. New business relationships are being developed on the commercial side and significant cost reduction efforts have been put in place.
- The Michigan Department of Community Health, Division of Quality Management and Planning conducted a site review of the Access Alliance of Michigan PIHP in October 2006. The Alliance fared well in this audit, with a composite score of 362 out of a possible 420 points. TCCMHA scored exceptionally well on the 28 indicators reviewed in relation to the implementation of person-centered planning and plan of service and documentation requirements. TCCMHA achieved 100% compliance with 27 of the 28 indicators reviewed. This was an extraordinary accomplishment for the agency as the review encompassed numerous clinical programs.

## **OVERVIEW OF FINANCIAL STATEMENTS**

Basic financial statements, in accordance with generally accepted accounting principles (GAAP) according to GASB 34, require the presentation of two types of financial statements. These are government-wide financial statements and fund financial statements.



**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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**Government-wide financial statements** include the statement of net assets and the statement of activities. These provide both long-term and short-term information, and present a broad view of the overall financial status in a manner similar to a private sector business. Information presented in these statements is on the accrual basis of accounting. Long-term assets are capitalized and depreciated. Long-term debt is recorded as a liability. Revenues are recorded when earned and expenses recorded when incurred, without regard to the timing of cash receipts or disbursement.

The statement of net assets includes all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of improving or deteriorating financial position. The statement of activities presents information showing how net assets changed during the year as a result of operating activity.

**Fund financial statements** contain individual groups of related accounts and are used to report current assets, current liabilities, fund balance, revenues and expenditures for specific activities or funds segregated for legal requirements or other governmental objectives. These are presented in more detail as compared to the government-wide statements. The fund financial statements are reported on the modified accrual basis of accounting. Only those assets that are measurable and currently available are reported. Liabilities are recognized only to the extent that they are normally expected to be paid with current financial resources. Purchased capital assets are reported as expenditures in the year of acquisition. Issuance of debt is recorded as a financial resource with current year payment of principal and interest recorded as an expenditure. Fund financial statements are essentially identical in presentation, format and content to prior year annual financial reports.

Fund financial statements are divided into two categories. These are general fund financial statements and proprietary fund financial statements.

General fund financial statements show how the community mental health supports and services programs were financed in the short term, along with what remains for future spending.

Proprietary fund financial statements show internal service funds reserved for risk management. These funds are held as a self-funded insurance risk reserve to protect against unanticipated current and future financial exposures related to specialty supports and services at-risk contracts.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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## **SUMMARY OF NET ASSETS**

The following summarizes the assets, liabilities and net assets on a government-wide basis as of September 30, 2006 and 2005.

### **Summary of Net Assets**

*As of September 30, 2006 and 2005*

*(In \$000s)*

	<u>2006</u>	<u>2005</u>	<u>\$ Change</u>
<b><u>Assets</u></b>			
Current assets	\$ 1,599	\$ 2,060	\$ (461)
Restricted assets	423	358	65
Capital assets	2,143	2,235	(92)
<b>Total assets</b>	<b><u>\$ 4,165</u></b>	<b><u>\$ 4,653</u></b>	<b><u>\$ (488)</u></b>
<b><u>Liabilities</u></b>			
Current liabilities	\$ 1,273	\$ 1,676	\$ (403)
Noncurrent liabilities	1,467	1,549	(82)
<b>Total liabilities</b>	<b><u>2,740</u></b>	<b><u>3,225</u></b>	<b><u>(485)</u></b>
<b><u>Net Assets</u></b>			
Investment in capital assets	790	854	(64)
Restricted for risk management	21	45	(24)
Unrestricted	614	529	85
<b>Total net assets</b>	<b><u>1,425</u></b>	<b><u>1,428</u></b>	<b><u>(3)</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 4,165</u></b>	<b><u>\$ 4,653</u></b>	<b><u>\$ (488)</u></b>

**Current financial position** is defined as the excess of current assets over current liabilities. A positive current financial position is an indicator of financial strength and an increase in current financial position is an indicator of improving financial position. The current financial position was a positive \$326 thousand for FY06 and \$384 for FY05.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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Current assets consist of cash and investments, accounts receivable, amounts due from others, inventory and prepaid expenses. These are available for current operations and to pay current obligations. Current liabilities include accounts payable, accrued payroll, related taxes and benefits, deferred revenue, amounts due to others and the current portion of long-term debt.

**Restricted assets** consist of cash. These assets are restricted for payment of compensated absences and for risk management.

The assets restricted for risk management are related to the risk obligations of the state general fund risk contract maintained directly with the state. At year-end, the balance in this account was \$21 thousand.

**Capital assets** consist of property and equipment having an estimated useful life of more than one year. Under the provisions of GASB 34, these assets are now included on the statement of net assets at their original book value, restated to be net of the accumulated depreciation that would have otherwise been reported in prior years. As of the beginning of fiscal year 2006, capital assets having an original book value of \$3.9 million were recorded, net of accumulated depreciation of \$1.7 million, for a beginning net book value of \$2.2 million.

In fiscal year 2006, \$119 thousand was expended for capital acquisitions. Depreciation expense on previously existing and newly acquired capital assets was \$211 thousand. The net change in capital assets was a decrease of \$92 thousand for the year.

As of year-end, the net book value of capital assets was 54% of the original book value. This percentage is a measure of the relative age of property and equipment. If property and equipment is relatively new, this percentage will be high. Conversely, if the percentage is low, it means that property and equipment is relatively old.

**Noncurrent liabilities** consist of long-term debt related to the acquisition of capital assets and the liability for compensated absences. Principal payments for the year were \$142 thousand. The liability for compensated absences includes vested vacation and sick pay obligations and certain deferred compensation amounts. The compensated absences liability at year end was \$301 thousand.

**Restricted net assets** include investment in capital assets, net of related debt, and amounts restricted for risk management. These were discussed above.

**Unrestricted net assets** at the end of the year were \$614 thousand. Unrestricted net assets were 15% of total assets, up from 11% from the prior year.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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## **SUMMARY OF ACTIVITIES**

The following summarizes the revenue, expenses and change in net assets on a government-wide basis for the years ended September 30, 2006 and 2005.

### **Summary of Activities**

*For the years ended September 30, 2006 and 2005*  
*(In \$000s)*

	<u>2006</u>	<u>2005</u>	<u>\$ Change</u>	<u>% Change</u>
<b><u>Revenue</u></b>				
Medicaid specialty supports and services	\$ 10,861	\$ 10,806	55	1%
State general fund priority populations	1,575	1,675	(100)	-6%
Adult benefit waiver supports and services	155	156	(1)	-1%
Program service revenue	231	153	78	51%
Grants and earned contracts	178	250	(72)	-29%
Cass Valley Enterprises	1,243	1,690	(447)	-26%
County appropriation	288	288	-	-
Interest income	48	24	24	100%
Other income	47	78	(31)	-40%
<b>Total Revenue</b>	<b>14,626</b>	<b>15,120</b>	<b>(494)</b>	<b>-3%</b>
<b><u>Expense</u></b>				
Personnel expense	6,078	6,425	(347)	-5%
Operating expense	8,075	8,283	(208)	-3%
Local funds contributed to State	283	283	-	-
Interest expense	55	47	8	17%
Depreciation	212	238	(26)	-11%
<b>Total Expense</b>	<b>14,703</b>	<b>15,276</b>	<b>(573)</b>	<b>-4%</b>
<b>Change in Net Assets</b>	<b>\$ (77)</b>	<b>\$ (156)</b>		

**Excess of expense over revenue** from activities for the current year was \$77 thousand.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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**Medicaid specialty supports and services revenue** represents 74% of total revenue. Beginning in fiscal 2003, the Michigan Department of Community Health began contracting for Medicaid specialty supports and services through designated Prepaid Inpatient Health Plans (PIHPs) in regional geographic areas. TCCMHA is affiliated with Bay-Arenac Behavioral Health as the designated PIHP for a region consisting of Bay, Arenac, Huron, Montcalm, Shiawassee, and Tuscola counties. TCCMHA subcontracts for Medicaid funding through the PIHP. This subcontract is on a net cost basis. Medicaid subcontract funds due to TCCMHA of \$366 thousand are included in revenue and are shown as amounts due from the PIHP as discussed above.

**State general fund priority population revenue** (formula funding) represents 11% of total revenue. This funding is established by MDCH as a part of the legislative appropriation process under the Michigan Mental Health Code and is used to provide supports and services to indigent priority populations, including state facility utilization and other allowable expenses. The GF ISF was utilized in FY06 for \$87 thousand. The GF ISF balance for FY06 is \$21 thousand which can be utilized to cover state facility expenditure increases in future years. TCCMHA distributed \$100 thousand of general funds to our affiliate partners in FY06 and has \$82 thousand of state general fund carry forward revenue for FY07.

**Adult benefit waiver supports and services revenue** represents 1% of total revenue. The adult benefit waiver program was new in fiscal 2004. This program is funded by state general funds and provides health insurance coverage to uninsured childless adults with countable incomes at or below 35% of the federal poverty level.

**Program service revenue** includes charges for services for consumers not covered by Medicaid risk contracts or state general fund revenue sources. These represent 2% of total revenue.

**Grants and earned contract revenue** includes revenue sources for which the use of funds is restricted to a specific purpose. These represent 1% of total revenue.

**County appropriation revenue**, interest income and other local income are available to meet state matching fund requirements. These revenue sources constitute 2% of revenue.

**Cass Valley Enterprises revenue** includes revenue earned through various industrial operations contracts. These revenue sources constitute 8% of revenue.

**Total expense** of \$14.7 million has decreased \$573 thousand compared to the prior year.

**Personnel expense** is 41% of total expense and has decreased due to staff reductions.

**Operating expense** is 55% of total expense and has decreased. The largest contributing factor is decreased sales and production costs at Cass Valley Enterprises.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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Interest expense is less than 1% of total expenses.

**Statement of Revenues and Expenditures – Original & Final Budget**

The following summarizes the original and final budget for revenue and expenses for the year ending September 30, 2006.

**Statement of Revenues and Expenditures - Original and Final Budget**  
*For the Year Ended September 30, 2006*  
*(in \$000s)*

	<u>Budgeted Amounts</u>		
	<u>Final</u>	<u>Original</u>	<u>Variance</u>
<b>Revenue</b>			
State General Fund - MDCH Contract	1,658	1,690	(32)
Adult Benefit Waiver	155	155	-
Title XX	6	6	-
Federal Grants	51	52	(1)
Tuscola County Appropriations	288	288	-
Medicaid - PIHP	10,825	10,805	20
Medicaid - Other	81	35	46
Client and third Party Pay	228	192	36
Contract Revenue	33	52	(19)
Interest	48	20	28
Cass Valley Enterprises	1,239	2,001	(762)
Other	<u>54</u>	<u>28</u>	<u>26</u>
<b>Total Revenue</b>	<b>14,666</b>	<b>15,324</b>	<b>(658)</b>
 <b>Expenditure</b>			
Salary and Wages	4,653	5,117	(464)
Fringe Benefits	1,424	1,731	(307)
Operating Expenditures	8,529	8,403	126
Capital Outlay	119	-	119
Debt Service	<u>198</u>	<u>62</u>	<u>136</u>
<b>Total Expenditures</b>	<b>14,923</b>	<b>15,313</b>	<b>(390)</b>
 <b>Excess of revenues over expenditures</b>	<b><u>(257)</u></b>	<b><u>11</u></b>	<b><u>(268)</u></b>

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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Final versus actual budget variances in state general fund include a decrease for a transfer of \$100 thousand to affiliate partners and an increase in operations base of \$68 thousand. Cass Valley Enterprises had a decrease in budgeted revenue due to a decrease in contract revenue. This change also affected salaries and fringe benefits due to a reduction in operations staff for Cass Valley Enterprises. TCCMHA has also encountered challenges when recruiting a full time Psychiatrist, therefore contracting the services out for the year. The increase in operating expenditures also includes increased cost from community outreach operations.

**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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**Statement of Revenues and Expenditures – Final Budget & Actual**

The following summarizes the final budget and actual results for revenue and expenses for the year ending September 30, 2006.

**Statement of Revenues and Expenditures - Final Budget & Actual**  
*For the Year Ended September 30, 2006*  
*(in \$000s)*

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenue</b>			
State General Fund - MDCH Contract	1,658	1,575	(83)
Adult Benefit Waiver	155	155	-
Title XX	6	6	-
Federal Grants	51	50	(1)
Tuscola County Appropriations	288	288	-
Medicaid - PIHP	10,825	10,861	36
Medicaid - Other	81	85	4
Client and third Party Pay	228	231	3
Contract Revenue	33	37	4
Interest	48	47	(1)
Cass Valley Enterprises	1,239	1,243	4
Other	<u>54</u>	<u>47</u>	<u>(7)</u>
<b>Total Revenue</b>	<b>14,666</b>	<b>14,625</b>	<b>(41)</b>
 <b>Expenditures</b>			
Salary and Wages	4,653	4,653	-
Fringe Benefits	1,424	1,425	(1)
Operating Expenditures	8,529	8,362	167
Capital Outlay	119	119	-
Debt Service	<u>198</u>	<u>198</u>	<u>-</u>
<b>Total Expenditure</b>	<b>14,923</b>	<b>14,757</b>	<b>166</b>
 <b>Excess of revenues over expenditures</b>	<u><b>(257)</b></u>	<u><b>(132)</b></u>	<u><b>125</b></u>



**Tuscola County Community Mental Health Authority**  
**Management's Discussion and Analysis**  
*For the year ended September 30, 2006*

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State General Fund – MDCH contract represents management's decision to utilize \$87 thousand of ISF funds on current FY06 general fund expenditures and carry forward into FY07 \$82 thousand of general fund revenue.

Medicaid – PIHP represents the subcontract for Medicaid services which is settled on a net cost basis. Additional revenue was recorded based on the additional year end expenses.

Operation Expenditures represents management's year end review of inventory. The combat identification panels were inactive in both sales and production for over a year. Management decided to write off the inventory in FY06 and continue to pursue sales for the current assets in the warehouse. If a buyer is found, revenue will be recorded in the year of the sale.

### **FUTURE OUTLOOK**

Once again, the State of Michigan is struggling to balance huge budget deficits. Federal deficits are placing additional pressures on Medicaid funding. The effect of these on future funding for community mental health and specialty supports and services is unknown.

Management expects revenues to be flat at best. Support and service demand is expected to increase together with inflationary cost pressures. Budgetary and operating priorities for next year and beyond include the following:

- Elimination of debt through the expansion of Cass Valley Enterprises and other means.
- Expansion of Cass Valley Enterprises operations through new contracts.
- Consolidation of clinical services into one building reducing operating cost and creating operating efficiencies.
- Recruitment of a full-time psychiatrist.
- Maximization of collaborative efforts throughout the affiliation to increase efficiency and economies of scale.

As always, questions, comments and suggestions are welcomed from interested parties and the general public. These can be directed to management.

**BASIC FINANCIAL STATEMENTS -  
GOVERNMENT WIDE FINANCIAL STATEMENTS**

Tuscola County Community Mental Health Authority  
Statement of Net Assets  
September 30, 2006 and 2005

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Current assets		
Cash and equivalents	\$18,569	\$441,209
Investments	579,200	1,494
Accounts receivable	260,200	333,228
Due from other governmental units	492,356	445,740
Inventory	83,386	686,473
Prepaid items	165,096	151,853
Total current assets	1,598,807	2,059,997
Noncurrent assets		
Cash and cash equivalents - restricted	422,774	358,047
Capital assets - depreciable, net	2,003,031	2,095,280
Capital assets - land	140,101	140,101
Total noncurrent assets	2,565,906	2,593,428
Total assets	4,164,713	4,653,425
<b>Liabilities</b>		
Current liabilities		
Accounts payable	588,229	646,855
Accrued wages and other payroll liabilities	339,502	329,833
Deferred revenue	84,138	1,800
Due to other governmental units	73,297	559,856
Notes payable, current portion	188,028	137,880
Total current liabilities	1,273,194	1,676,224
Noncurrent liabilities		
Notes payable, net of current portion	1,164,865	1,243,912
Compensated absences	301,494	305,363
Total noncurrent liabilities	1,466,359	1,549,275
Total liabilities	2,739,553	3,225,499
<b>Net Assets</b>		
Invested in capital assets, net of related debt	790,239	853,589
Restricted for risk management	21,083	44,816
Unrestricted	613,838	529,521
Total net assets	\$1,425,160	\$1,427,926

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Statement of Activities  
For the Year Ended September 30, 2006, With Comparative Data

Functions	Program Revenues			Net (Expense) Revenue and Change in Net Assets	2005
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities					
Health & Welfare - Mental Health	<u>\$14,702,977</u>	<u>\$11,213,767</u>	<u>\$3,364,600</u>	(\$124,610)	(\$180,057)
General revenues					
Unrestricted investment earnings				46,371	23,697
Restricted investment earnings				<u>1,362</u>	<u>857</u>
Total general revenues				<u>47,733</u>	<u>24,554</u>
Change in net assets				(76,877)	(155,503)
Net assets - beginning of year				1,427,926	1,958,634
Prior period adjustment				<u>74,111</u>	<u>(375,205)</u>
Net assets - end of year				<u>\$1,425,160</u>	<u>\$1,427,926</u>

See Accompanying Notes To Financial Statements

## **FUND FINANCIAL STATEMENTS**

Tuscola County Community Mental Health Authority  
Balance Sheet  
Governmental Funds  
September 30, 2006 and 2005

	General Fund	
	2006	2005
<b>Assets</b>		
Cash and equivalents	\$18,569	\$441,209
Investments	579,200	1,494
Accounts receivable	260,200	333,228
Due from other funds	88,515	7,868
Due from other governmental units	492,356	445,740
Inventory	83,386	686,473
Prepaid items	165,096	151,853
Restricted cash	313,176	305,363
Total assets	<u>\$2,000,498</u>	<u>\$2,373,228</u>
<b>Liabilities</b>		
Accounts payable	\$588,229	\$646,855
Accrued wages and other payroll liabilities	339,502	329,833
Deferred revenue	84,138	1,800
Due to other governmental units	73,297	559,856
Total liabilities	<u>1,085,166</u>	<u>1,538,344</u>
<b>Fund balances</b>		
Reserved	478,272	457,216
Unreserved	437,060	377,668
Total fund balances	<u>915,332</u>	<u>834,884</u>
Total liabilities and fund balances	<u>\$2,000,498</u>	<u>\$2,373,228</u>

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
For the Year Ended September 30, 2006

Total fund balance - governmental funds	\$915,332
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Add: capital assets	3,994,839
Deduct: accumulated depreciation	(1,851,707)

An internal service fund is used by management to cover the risk of  
overspending the Managed Care Specialty Services Program contract.  
The assets and liabilities of the internal service fund are included in  
governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	21,083
--	--------

Some liabilities are not due and payable in the current period and  
therefore are not reported in the funds. Those liabilities consist of:

Deduct: notes payable	(1,352,893)
Deduct: compensated absences	(301,494)

Net assets of governmental activities	<u>\$1,425,160</u>
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Tuscola County Community Mental Health Authority  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Years Ending September 30, 2006 and 2005

	General Fund	
	2006	2005
<b>REVENUES</b>		
State grants		
State general fund - MDCH Contract	\$1,575,411	\$1,674,858
Adult Benefit Waiver	155,073	155,664
Title XX	5,843	5,843
Total state grants	<u>1,736,327</u>	<u>1,836,365</u>
Federal grants	<u>50,171</u>	<u>51,054</u>
Contributions - local units		
County appropriations	<u>288,243</u>	<u>288,243</u>
Charges for services		
Medicaid - affiliate	10,860,924	10,805,613
Medicaid - other	84,395	72,392
Client and third party pay	231,145	153,457
Contract revenue	37,303	120,486
Total charges for services	<u>11,213,767</u>	<u>11,151,948</u>
Interest and rents		
Interest	46,371	23,697
Other revenue		
Cass Valley Enterprises	1,242,840	1,690,298
Other	47,019	78,007
Total other revenue	<u>1,289,859</u>	<u>1,768,305</u>
Total revenues	14,624,738	15,119,612

See Accompanying Notes To Financial Statements



Tuscola County Community Mental Health Authority  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Years Ending September 30, 2006 and 2005

	General Fund	
	2006	2005
<b>EXPENDITURES</b>		
Health & welfare - mental health		
Personnel costs	\$6,077,629	\$6,424,911
Operating expenditures	8,362,301	8,563,501
Capital outlay	119,260	285,113
Debt service		
Interest	55,407	46,758
Principal	142,178	101,213
Total expenditures	14,756,775	15,421,496
Excess of revenues over expenditures	(132,037)	(301,884)
Other financing sources (uses)		
Loan proceeds	113,279	625,189
Operating transfers in (out) - internal service fund	88,516	7,868
Total other financing sources (uses)	201,795	633,057
Excess of revenues and other sources over (under) expenditures and other uses	69,758	331,173
Fund balance, beginning of year	834,884	878,916
Prior period adjustment	10,690	(375,205)
Fund balance, end of year	\$915,332	\$834,884

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended September 30, 2006

Net change in fund balances - total governmental funds	\$69,758
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as as depreciation expense.

Add: capital outlay	119,260
Deduct: depreciation expense	(211,509)

An internal service fund is used by management to cover the risk of overspending the Managed Care Specialty Services Program contract. The net revenue (expense) of this fund is reported within governmental activities.

Add: net revenue (expense) from governmental internal service fund	(87,154)
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Fixed assets acquired by long term loans are shown as an expenditure and other financing source in the governmental funds. The other financing source must be removed from the statement of activities; principal payments are applied to the long term liability; interest expense is recognized as it accrues.

Deduct: loan proceeds	(113,279)
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Payment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).

Add: principal payments on long term debt	142,178
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: decrease in accrual for compensated absences	3,869
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Change in net assets of governmental activities	<u><u>(\$76,877)</u></u>
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See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Statement of Net Assets  
Proprietary Funds  
September 30, 2006 and 2005

	<u>Internal Service Funds</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash	<u>\$109,598</u>	<u>\$52,684</u>
Total assets	<u>109,598</u>	<u>52,684</u>
Liabilities		
Due to other funds	<u>88,515</u>	<u>7,868</u>
Net assets		
Restricted for risk management	<u><u>\$21,083</u></u>	<u><u>\$44,816</u></u>

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Years Ended September 30, 2006 and 2005

	Internal Service Funds	
	2006	2005
Non-operating revenues		
Interest income	\$1,362	\$857
Operating transfers		
Operating transfers in (out) - general fund	(88,516)	(7,868)
Change in net assets	(87,154)	(7,011)
Prior period adjustment	63,421	-
Net assets, beginning of year	44,816	51,827
Net assets, end of year	<u>\$21,083</u>	<u>\$44,816</u>

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Statement of Cash Flows  
Proprietary Funds  
For the Years Ended September 30, 2006 and 2005

	Internal Service Funds	
	2006	2005
Cash flows from operating activities	-	-
Cash flows from investing activities		
Interest revenue	\$1,362	\$857
Cash flows from noncapital financing activities		
Internal activity - payments (to)/from other funds	<u>55,552</u>	<u>(95,506)</u>
Net increase (decrease) in cash	56,914	(94,649)
Cash and cash equivalents, beginning of year	<u>52,684</u>	<u>147,333</u>
Cash and cash equivalents, end of year	<u><u>\$109,598</u></u>	<u><u>\$52,684</u></u>
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (loss)	-	-

See Accompanying Notes To Financial Statements

## **NOTES TO THE FINANCIAL STATEMENTS**

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Tuscola County Community Mental Health Authority (the Authority) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the Authority.

**Reporting Entity**

The Authority operates as a Community Mental Health Authority under the provisions of Act 258 - Public Acts of 1974, as amended. The Authority provides funding for services in the areas of mental illness, developmental disabilities, and other related mental health needs for residents of Tuscola County.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Authority's reporting entity, and which organizations are legally separate, component units of the Authority. Based on the application of the criteria, the Authority does not contain any component units.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to consumers who purchase, use or directly benefit from services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Tuscola County Community Mental Health  
Notes to Financial Statements

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Modifications to the accrual basis of accounting include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at September 30, has been reported only in the government-wide financial statements.
- Interest on general long-term obligations is recognized when paid.
- Debt service expenditures and claims and judgments are recorded only when payment is due.

Proprietary Fund Financial Statements – The financial statements of the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.



Tuscola County Community Mental Health Authority  
Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the internal service fund are charges to other funds for insurance services. Operating expenses for internal service funds include the cost of claims, administration and reinsurance. Any revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority reports the following major governmental and proprietary funds:

Governmental Funds

General Fund – This fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in other funds.

Proprietary Funds

Internal Service Fund – This fund represents amounts set aside to fund the net uninsured exposure of potential shortfalls of contract revenues.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Comparative Data**

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in financial position and operations. Also, certain amounts presented in the prior year may have been reclassified in order to be consistent with the current year's presentation.

**Budgetary Data**

The Authority adopts an annual budget for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is also adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

**Restricted Cash Equivalents**

The Authority has charged to the Department of Community Health the vested portion of compensated absences as of September 30. Cash has been restricted for future payment of the compensated absence liability as well as to fund the net uninsured exposure of potential shortfalls of risk contract revenues. These restricted assets are held in separate cash accounts with local financial institutions.

**Receivables**

Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts.

Due from other governmental entities consist primarily of amounts due from Bay-Arenac Behavioral Health and Tuscola County.

**Receivables and Payables between Funds**

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e. the current portion of interfund loans) or "advances to / from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Inventory**

Inventory is recorded at the lower of cost or market on a first-in, first-out basis. The cost is recorded as an expenditure at the time individual inventory items are sold rather than when purchased.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government activities column in the government-wide financial statements. Capital assets are defined by the government as individual assets with an initial cost equal to or more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Authority does not have infrastructure type assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Authority are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	N/A
Buildings and Improvements	20 – 30
Equipment and Furnishings	5 – 10
Computers	3
Vehicles	5

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Inpatient / Residential Cost Liability**

The amount recorded for inpatient / residential liability is based on management's estimate. This estimate is based on 1) the number of clients at each facility, 2) the number of days each client is at each facility, and 3) the daily rate charged for each facility.

The Authority does not receive actual billings for these services until several months after the service date. Therefore, the liability is not liquidated within the normal 60 day period after year end. Also, the actual cost may vary from the estimated due to reimbursements from third party payors that are applied to the total cost before the billings are sent to the Authority. This liability is included in due to other governmental units.

**Deferred Revenue**

Deferred revenues arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the revenue recognition criterion is met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the fund financial statements and government-wide financial statements, and revenue is recognized.

**Governmental Fund – Fund Balance Reserves and Designations**

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use. The reserves for related assets such as prepaid items are examples of the former. Reserves for compensated absences are examples of the latter.

**MDCH Revenue**

*General Fund Revenue*

The Authority provides mental health services on behalf of the Michigan Department of Community Health (MDCH). Currently, the Authority contracts directly with the MDCH for General Fund revenues to support the services provided for priority population residing in Tuscola County.

*Medicaid Revenue*

Also, the Authority contracts to receive Medicaid revenue through Bay-Arenac Behavioral Health for Medicaid-qualified services rendered to residents of Tuscola County. Bay-Arenac Behavioral Health contracts with the MDCH to administer these Medicaid funds.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Authority does not maintain a formalized encumbrance accounting system. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

**Excess of Expenditures Over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended September 30, 2006, the Authority incurred expenditures in excess of the amounts appropriated as shown on page 30 of this report as unfavorable variances.

**NOTE 3 – DETAIL NOTES**

**Cash and cash equivalents**

At September 30, the carrying amount of the Authority's cash and cash equivalents are as follows:

	2006	2005
Petty cash	\$1,530	\$1,295
Checking and savings accounts	439,813	554,540
Certificates of deposit	-	243,421
<b>Totals</b>	<b>\$441,343</b>	<b>\$799,256</b>

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. At September 30, 2006, the carrying amount of the Authority's deposits was \$439,813, and the bank balance was \$742,351. Of the bank balance, \$100,000 was covered by federal depository insurance and \$642,351 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

A reconciliation of deposits as shown above follows:

	2006	2005
Cash and cash equivalents – current assets	\$17,039	\$439,914
Cash and cash equivalents – restricted assets	422,774	358,047
<b>Totals</b>	<b>\$439,813</b>	<b>\$797,961</b>

**Investments**

As of September 30, 2006, the Authority had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (years)	Fitch Rating	%
Michigan Cooperative Liquid Asset Securities System (MI CLASS)	\$579,200	0.1600	AAA/V1+	100%
1 day maturity equals 0.0027, one year equals 1.00				

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

Investments

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions, and mutual funds composed entirely of the above investments. See above for a listing of the Authority's investments.

The Authority's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

Interest Rate Risk – Investments

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Authority's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Authority does not have any additional policies for custodial credit risk over investments.

Credit Risk

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations, or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Authority's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Due from Other Governmental Units**

Due from other governmental units as of September 30, consists of the following:

	<b>2006</b>	<b>2005</b>
State of Michigan – Medicaid	\$28,875	-
Department of Community Health	975	\$50,000
County of Tuscola	72,061	72,061
Department of Community Health OBRA Grant	15,123	4,388
Various Other Governmental Units	-	8,291
Bay-Arenac Behavioral Health	375,322	311,000
<b>Totals</b>	<b>\$492,356</b>	<b>\$445,740</b>

**Changes in Capital Assets**

A summary of changes in the Authority's capital assets follows:

<b>Assets</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$140,101	-	\$-	\$140,101
Buildings and Improvements	1,798,174	\$5,996	-	1,804,170
Equipment and Furnishings	462,777	-	-	462,777
Computers	239,421	-	-	239,421
Vehicles	1,235,106	113,264	-	1,348,370
Sub-total	3,875,579	119,260	-	3,994,839
<b>Accumulated Depreciation</b>				
Buildings and Improvements	175,738	71,040	-	246,778
Equipment and Furnishings	260,752	25,820	-	286,572
Computers	239,421	-	-	239,421
Vehicles	964,287	114,649	-	1,078,936
Sub-total	1,640,198	211,509	-	1,851,707
<b>Totals</b>	<b>\$2,235,381</b>	<b>(\$92,249)</b>	<b>\$-</b>	<b>\$2,143,132</b>

Depreciation expense was charged to the Health & Welfare – Mental Health Program.



Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Accrued Wages and Other Payroll Liabilities**

This liability represents amounts paid to employees during October that was earned during September. Also included are employer payroll taxes.

**Due to Other Governmental Units**

Due to other governmental units as of September 30, consist of the following:

	2006	2005
State of Michigan-Inpatient Liability	\$73,297	\$110,250
Bay-Arenac Behavioral Health	-	449,606
<b>Totals</b>	<b>\$73,297</b>	<b>\$559,856</b>

**Deferred Revenue**

The majority of the deferred revenue represents the carry forward allowance for the general fund portion of the Department of Community Health's authorization.

**Long-Term Liabilities – Compensated Absences**

Authority policy allows full time employees to accumulate "paid time off" at various rates, depending on the employee's length of service with the Authority. Amounts accumulated up to a maximum accrual are to be paid to the employee and recognized as an expense either when compensated absences are used or upon termination of employment, provided the employee has worked for the Authority for at least one year. As of September 30, 2006 and 2005, compensated absences liability was \$301,494 and \$305,363, respectively.

**Long Term Liabilities – Line of Credit**

During the 2005 year, the Authority established a line of credit with Chase. The line of credit available is \$500,000 with an interest rate of 1% below prime. As of September 30, 2006, the effective interest rate was 7.25% and the balance utilized on the line of credit was \$0.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Long Term Debt – Notes Payable**

*Vehicle Loans*

During the 2002 year, the Authority entered into four promissory note contracts with Community Bank in Caro, Michigan for the purchase of 10 vehicles. Payments are due monthly in the amount of \$3,312, including interest at the rate of 4.9% per annum. As of September 30, 2006, the balance of these loans total \$18,711.

During the 2003 year, the Authority entered into one promissory note contract with Community Bank in Caro, Michigan for the purchase of three vehicles. Payments are due monthly in the amount of \$913, including interest at the rate of 4.9% per annum. As of September 30, 2006, the balance of these loans total \$21,664.

During the 2004 year, the Authority entered into one promissory note contract with Community Bank in Caro, Michigan for the purchase of four vehicles. Payments are due monthly in the amount of \$1,212, including interest at the rate of 4.9% per annum. As of September 30, 2006, the balance of these loans total \$28,849.

During the 2005 year, the Authority entered into two promissory note contracts with Community Bank in Caro, Michigan for the purchase of two vehicles. Payments are due monthly in the amount of \$1,269, including interest at the rate of 4.9% per annum. As of September 30, 2006, the balance of these loans total \$45,370.

During the 2006 year, the Authority entered into two promissory note contracts with Community Bank in Caro, Michigan for the purchase of five vehicles. Payments are due monthly in the amount of \$1,747, including interest at the rate of 5.5% and 6.75% per annum. As of September 30, 2006, the balance of these loans total \$87,472.

During the 2006 year, the Authority entered into a promissory note contract with GMAC for the purchase of one vehicle. Payments are due monthly in the amount of \$315, including interest at the rate of 0% per annum. As of September 30, 2006, the balance of this loan total \$21,518.

*Building Loan*

During the 2003 year, the Authority entered into a promissory note contract with Mayville State Bank in Mayville, Michigan for the purchase of real property. During the 2005 year, the Authority refinanced this loan. Payments are due monthly in the amount of \$4,380, including interest at the rate of 4.05% per annum. As of September 30, 2006, the balance of the loan totals \$555,890.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

During the 2004 year, the Authority entered into a promissory note contract with Mayville State Bank in Mayville, Michigan for the purchase of real property. Payments are due monthly in the amount of \$3,417, including interest at the rate of 3.9% per annum. As of September 30, 2006, the balance of the loan totals \$407,190.

During the 2005 year, the Authority entered into a promissory note contract with Mayville State Bank in Mayville, Michigan for the purchase of real property. Payments are due monthly in the amount of \$836, including interest at the rate of 4.15% per annum. As of September 30, 2006, the balance of the loan totals \$166,229.

The annual installments to pay principal and interest on obligations outstanding at September 30, 2006 are as follows, including total interest payments of \$415,256.

<b>Year Ended September 30,</b>	<b>Amount</b>
2007	\$188,028
2008	170,263
2009	145,456
2010	130,824
2011	124,154
2012 – 2016	520,829
2017 – 2021	357,468
2022 – 2026	50,181
2027 – 2031	50,181
2032 – 2036	30,765

The changes in long term liabilities during the 2006 fiscal year are as follows:

<b>Liability</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Compensated Absences	\$305,363	-	\$3,869	\$301,494
Vehicle Loans	195,412	\$113,279	85,107	223,584
Building Loans	1,186,380	-	57,071	1,129,309
<b>Totals</b>	<b>\$1,687,155</b>	<b>\$113,279</b>	<b>\$146,047</b>	<b>\$1,654,387</b>

### Operating Leases

Tuscola County Community Mental Health Authority has entered into various operating leases for the use of real and personal property. Operating leases do not give rise to property rights or lease obligations, and therefore, the leased assets are not reflected in the government-wide financial statements.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

The future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms as of September 30, are as follows:

YEAR ENDING SEPTEMBER 30,	AMOUNT
2007	\$153,555
2008	42,653
2009	-0-
2010	-0-
Thereafter	-0-

**Employee Retirement Systems**

**MERS**

Plan Description

The Authority participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all of the employees of the Authority. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to Gabriel, Roeder, Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076.

The most recent period for which actuarial data was available was for the year ended December 31, 2005. The Authority's payroll for the employees covered by the system for the year ended December 31, 2005 was \$4,094,109.

As of December 31, 2005, employee membership data related to the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	17
Active plan participants	117
Vested former members	19
Total	153

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

Funding Policy

Under the provisions of this plan, employees contribute 5% of annual compensation. The amount of employer contributions is determined on a yearly basis. For the year ending September 30, 2006, employer contributions to this retirement plan were \$88,246.

For the 2006 fiscal year, employer contributions will be at the rate of 2.27% of active employee wages.

**Funding Status and Progress**

The amount shown below as the “pension benefit obligation” is based on the standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and separate benefits, estimated to be payable in the future as a result of employee services to date. The measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the plan’s funding status of the system on a going-concern basis; (2) assess progress made in accumulating sufficient assets to pay benefits when due; and (3) make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.0% and (b) projected salary increases of 4.5 % per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

At December 31, 2005, the assets were more than the pension benefit obligation by \$804,512, determined as follows:

<b><i>GASB 25 Information</i></b>	
<i>Actuarial Accrued Liability</i>	
Retirees and beneficiaries currently receiving benefits	\$1,350,246
Terminated employees not yet receiving benefits	958,967
Non-vested terminated employees (pending refunds of accumulated member contributions)	143,054
Current Employees:	
Accumulated employee contributions including allocated investment income	1,524,953
Employer financed	3,548,680
Total actuarial accrued liability	7,525,900
Net assets available for benefits at actuarial value (market = \$8,110,899)	8,330,412
Unfunded (over funded) actuarial accrued liability	\$(804,512)
<b><i>GASB 27 Information</i></b>	
Fiscal Year Beginning	October 1, 2007
Annual Required Contribution (ARC)	\$90,336
Amortization factor used – under-funded liabilities (30 years)	.053632
Amortization factor used – under-funded liabilities (10 years)	.119963

Three year trend information as of June 30 follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Over funded) AAL	Unfunded AAL as a Percentage of Annual payroll
12-31-03	7,152,195	6,465,580	(686,615)	0%
12-31-04	7,726,043	6,995,609	(730,434)	0%
12-31-05	8,330,412	7,525,900	(804,512)	0%

**Principal Financial Group**

*Plan Description*

Effective October 1, 1997, the Authority was considered a new governmental entity, and voted to join an optional retirement plan instead of the Social Security system for full time employees 18 years or older.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

Funding Policy

Principal Life Insurance Company is the firm used to invest plan funds. Full Time employees contribute a mandatory 6.2% of their wages to this plan. Employer contributions are 6.2% of employee wages. These are the same contribution rates as the Social Security rates. Under this plan, employees are always 100% vested in their account.

Employees of the Authority not eligible to participate in this plan are covered by the Social Security system.

**Compliance Audits**

The Authority participates in various federal, state, and local grants for mental health and substance abuse programs. Certain provisions and allowable levels of participation and expenditures not qualifying for participation are subject to interpretation and adjustment by appropriate governmental agencies. State grants are subject to audit by responsible state agencies. Although these audits may result in some changes, they are not expected to have a material effect on the financial statements.

**Risk Management**

Michigan Municipal Risk Management Authority

The Authority participated in the public entity risk pool – Michigan Municipal Risk Management Authority (MMRMA) for auto and general liability, property and crime and vehicle physical damage coverage.

MMRMA, a separate legal entity, is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to various Michigan governmental entities.

As a member of this pool, the Authority is responsible for paying all costs, including damages, indemnification, and allocated loss adjustment for each occurrence that falls within the member's self-insured retention (SIR). The Authority's SIR is between \$-0- and \$250. If a covered loss exceeds MMRMA's limits, all further payments for such loss are the sole obligation of the Authority. If for any reason, the MMRMA's resources available to pay losses are depleted, the payment of all unpaid losses of the Authority is the sole obligation of the Authority.

MMRMA's coverage limits are between \$0 and \$5,000,000 for liability and between \$10,000 and \$200,000,000 for property and crime.

The contribution made by the Authority to MMRMA was \$133,131 for the period July 1, 2006 to July 1, 2007.

Tuscola County Community Mental Health Authority  
Notes to Financial Statements

**Managed Care Risk Contract**

In prior years the Authority authorized the establishment of an Internal Service Fund. This fund is used to cover the risk of overspending the Managed Care Specialty Services Program (MCSSP) contract. This contract provides for the use of Department of Community Health funding for the establishment of an Internal Service Fund, which is restricted to meet the expected future risk corridor requirements of the contract. Expenditures from the Internal Service Fund will occur when, in any one fiscal year, the Authority finds it necessary to expend more to provide services necessary to carry out the MCSSP contract requirements than revenue provided to the Authority by the contract.

**Prior Period Adjustment**

The following transactions were recognized in these financial statements as prior period adjustments:

Description	2006	2005
Adjustments to prior year cost settlements	\$74,111	(\$375,205)
<b>Totals</b>	<b>\$74,111</b>	<b>(\$375,205)</b>

**Subsequent Event**

After year-end, the Authority announced its intention to purchase real estate pending the approval of a purchase agreement. The Authority has obtained preapproval of a loan from Citizens Bank for 100% of the lower of the purchase price or appraisal amount, with a maximum amount of \$1,150,000, with the interest rate to be fixed at the time of closing.



Tuscola County Community Mental Health Authority  
Notes to Financial Statements

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## **REQUIRED SUPPLEMENTAL INFORMATION**

Tuscola County Community Mental Health Authority  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
General Fund  
For the Year Ended September 30, 2006

	Budgeted Amounts			Variance Between Actual and Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
State grants				
State General Fund - MDCH Contract	\$1,689,585	\$1,657,849	\$1,575,411	(\$82,438)
Adult Benefit Waiver	155,200	155,072	155,073	1
Title XX	5,843	5,843	5,843	-
Total state grants	<u>1,850,628</u>	<u>1,818,764</u>	<u>1,736,327</u>	<u>(82,437)</u>
Federal grants	<u>52,100</u>	<u>51,118</u>	<u>50,171</u>	<u>(947)</u>
Contributions - local units				
County appropriations	<u>288,243</u>	<u>288,243</u>	<u>288,243</u>	<u>-</u>
Charges for services				
Medicaid - affiliate	10,805,000	10,825,000	10,860,924	35,924
Medicaid - other	35,300	81,451	84,395	2,944
Client and third party pay	191,600	227,778	231,145	3,367
Contract revenue	<u>51,700</u>	<u>33,055</u>	<u>37,303</u>	<u>4,248</u>
Total charges for services	<u>11,083,600</u>	<u>11,167,284</u>	<u>11,213,767</u>	<u>46,483</u>
Interest and rents				
Interest	<u>20,500</u>	<u>47,733</u>	<u>46,371</u>	<u>(1,362)</u>
Other revenue				
Cass Valley Enterprises	2,000,500	1,238,858	1,242,840	3,982
Other	<u>28,300</u>	<u>53,997</u>	<u>47,019</u>	<u>(6,978)</u>
Total other revenue	<u>2,028,800</u>	<u>1,292,855</u>	<u>1,289,859</u>	<u>(2,996)</u>
Total revenues	15,323,871	14,665,997	14,624,738	(41,259)
<b>EXPENDITURES</b>				
Health & welfare - mental health				
Personnel costs	6,847,568	6,077,144	6,077,629	(485)
Operating expenditures	8,402,745	8,528,509	8,362,301	166,208
Capital outlay	-	119,300	119,260	40
Debt service	<u>62,500</u>	<u>198,500</u>	<u>197,585</u>	<u>915</u>
Total expenditures	15,312,813	14,923,453	14,756,775	166,678
Excess of revenues over expenditures	11,058	(257,456)	(132,037)	125,419
Other financing sources (uses)				
Loan proceeds	-	-	113,279	113,279
Operating transfers in (out) - internal service fund	<u>-</u>	<u>-</u>	<u>88,516</u>	<u>88,516</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>201,795</u>	<u>201,795</u>
Excess of revenues and other sources over (under) expenditures and other uses	11,058	(257,456)	69,758	327,214
Fund balance, October 1	834,884	834,884	834,884	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>10,690</u>	<u>10,690</u>
Fund balance, September 30	<u>\$845,942</u>	<u>\$577,428</u>	<u>\$915,332</u>	<u>\$337,904</u>

See Accompanying Notes To Financial Statements

## **OTHER SUPPLEMENTAL INFORMATION**

Tuscola County Community Mental Health Authority  
Supporting Schedule of Personnel Costs  
For the Years Ending September 30, 2006 and 2005

	<u>General Fund</u>	
	<u>2006</u>	<u>2005</u>
<b>Personnel Costs</b>		
Salaries and wages	\$4,694,852	\$5,031,943
Fringe benefits	<u>1,382,777</u>	<u>1,392,968</u>
Total personnel costs	<u><u>\$6,077,629</u></u>	<u><u>\$6,424,911</u></u>

See Accompanying Notes To Financial Statements

Tuscola County Community Mental Health Authority  
Supporting Schedule of Operating Expenditures  
For the Years Ending September 30, 2006 and 2005

	General Fund	
	2006	2005
<b>Operating Expenditures</b>		
Client Activities	\$84,220	\$88,389
Communications	138,200	72,595
Contractual Services	4,423,109	4,582,477
Institutional And State Residential Care	487,792	396,615
Insurance	132,420	133,383
Local Funds Contribution	282,805	282,805
Other	117,203	123,257
Private Hospitalization	319,094	286,863
Printing And Publishing	57,052	46,070
Raw Materials	1,278,829	1,308,193
Rental Expense	442,388	434,205
Repairs And Maintenance	73,630	119,866
Supplies	324,189	473,241
Travel	81,863	97,682
Utilities	119,507	117,860
 Total Operating Expenditures	 \$8,362,301	 \$8,563,501

See Accompanying Notes To Financial Statements



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Tuscola County Community Mental Health Authority  
Caro, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tuscola County Community Mental Health Authority (the Authority) as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 19, 2006.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

*Roslund, Prestage & Co, PC*  
Roslund, Prestage & Company, P.C.  
Certified Public Accountants

December 19, 2006





## MANAGEMENT LETTER

Board of Directors  
Tuscola County Community Mental Health Authority  
Caro, Michigan

In planning and performing our audit of the financial statements for Tuscola County Community Mental Health Authority, for the fiscal year ended September 30, 2006, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated December 19, 2006, on the financial statements of Tuscola County Community Mental Health Authority.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them with you in further detail, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

*Roslund, Prestage & Co, PC*  
Roslund, Prestage & Company, P.C.  
Certified Public Accountants

December 19, 2006

### **Provide Health Savings Accounts**

Due to increasing costs of providing health insurance to the Authority's employees, we believe the Authority could take advantage of health savings accounts as a means of cost reductions while minimizing the additional cost to employees.

Health Savings Accounts were established by the Medicare Prescription Drug and Modernization Act of 2003. These accounts operate like IRAs and allow eligible individuals to make a tax-deductible contribution to cover the cost of the deductible of a high-deductible policy. To be eligible to make a contribution, the deductible must be at least \$1,100 for single coverage and \$2,200 for family coverage. The contribution is limited to \$2,850 for single coverage or \$5,650 for family coverage. These amounts will be inflation adjusted each year. The contribution limits for individuals 55 or older are allowed to be increased in accordance with IRS Regulations. The individual can take tax-free withdrawals from the account to pay for the deductible when obtaining health care under the insurance policy.

Health Savings Accounts have several beneficial features:

- On the individual's tax return, the deduction is claimed above the line for arriving at adjusted gross income, so individuals can claim it whether they itemize or not.
- There is no phase-out to the deduction for higher-income individuals like there is with an IRA.
- Any income earned on amounts in the account is tax-free for federal income tax purposes.
- Contributions not withdrawn for medical expenses can remain in the account to build a reserve for future years' expenses.
- Money can be withdrawn from the Health Savings Account to pay for qualified medical expenses. Any money withdrawn for other reasons will be subject to a 10 percent penalty and taxation. HSA holders over 65 years of age may use the account as a retirement nest egg and withdraw money for any reason without penalty.
- The Authority may, but need not, make deductible contributions for its employees; employer contributions are not subject to employment taxes and are not taxable to the employees.

A number of insurance companies offer high-deductible plans designed to enable employers of all sizes to take advantage of health savings accounts. Some insurers will also provide administrative services for the savings accounts.

### **GASB Statement No. 45**

Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was approved by the GASB in June of 2005. Other postemployment benefits are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they stop working. They include all postemployment healthcare benefits and any other type of benefits that are provided separately from a pension plan.

The basic premise of GASB 45 is that other postemployment benefits are earned and should be recognized when the employee provides services, just like wages and compensated absences.

We recommend the Authority consider the effects of GASB 45 on any current or future postemployment benefits packages.

The effective date for the Authority to implement this new standard is for the fiscal year ending September 30, 2009. However, earlier application is encouraged by the GASB.